



Governor's Listening Session on Health Care
June 24, 2002
UW- Milwaukee, Sandburg Halls

I want to thank you for having me here today. My name is Joy Tapper, and I am the Executive Vice President of Administration for Covenant Healthcare. First, I want to commend the Administration for bringing the issue of health care cost containment to the forefront of your policy agenda. I believe that Covenant can be a partner in this effort and firmly believe our approach demonstrates a genuine commitment to finding innovative solutions to controlling health care costs for all consumers.

I want to speak briefly about our organization as a whole. Covenant Healthcare is one of the largest integrated regional care delivery systems in Wisconsin. Our member organizations provide nearly one-quarter of the total health care delivered in Milwaukee, Waukesha and Ozaukee Counties. With nearly 10,000 employees, Covenant is Wisconsin's second largest private employer – and we have experienced first-hand the challenges of rising healthcare premiums. Personnel costs make up over 55% of our operating expense and the double digit health care benefit increases have seriously effected our cost structure. The Covenant system consists of four major acute care hospitals (three of which are located in the City of Milwaukee), six free-standing ambulatory centers, three transitional and extended care facilities, a home health and hospice agency, a full-service medical laboratory, physician clinics and a physician services corporation that includes a primary care physician organization.

Covenant is sponsored by two religious orders, the Wheaton Franciscan and Felician Sisters, and is part of the larger Wheaton Franciscan System which owns or partners in health systems in Racine, Kenosha and the Fox Valley. We are proud of our faith-based tradition and have demonstrated our commitment to meet the health needs of the community for over 122 years by providing charity care and outreach services exceeding \$76 million in 2001.

We, too, are extremely concerned about healthcare cost inflation both locally and nationally and are committed to finding ways to contain healthcare costs for patients and their families and employees. That is why the Covenant Board and leadership have identified healthcare cost containment as a key priority in our strategic plan. We believe that all players – providers, employers, government, insurers and employees-- bear some responsibility for the rising trend in healthcare costs.

Over the past few months, our President and CEO, Paul Dell Uomo, has been actively participating in Mayor Norquist's Health Care Task Force on Healthcare Costs. The Task Force has reinforced that this is a very complex social and economic issue and that the solutions we advance must juggle many interests and interacting causes including healthcare workforce shortages, consumer expectations for the latest technology, pharmaceuticals and facilities, employee health benefit plan design and the aging of the populations which is significantly increasing demand. The Task Force has been investigating a number of viable solutions, and I am hopeful they will result in some meaningful reforms that will directly benefit consumers.

Some of the recommendations being advanced at the Task Force include:

The establishment of a universal data base that includes a comparison of provider costs (vs. charges), quality and patient satisfaction information. We believe that when employers and patients are better informed about cost and quality, consumers will make better decisions about healthcare services, which will ultimately have a positive impact on controlling costs.

Additionally, the Task Force is advancing recommendations regarding the need to assure that Wisconsin receives a fair share of Medicare and Medicaid reimbursement. As you know, funding inequities under Medicare and Medicaid directly contribute to the high cost of health care – in the form of cost shifting. Wisconsin ranks 45th of all states in its level of Medicare and Medicaid reimbursement. Covenant alone loses about \$50 million a year on Medicare patients; statewide losses run about \$600 million annually.

Finally, the Task Force is recommending the development of alternative contracting models. We believe employers should look toward innovative approaches to contracting for health care benefits to their employees, an approach which facilitates cost competition between providers. We want to expand on our successful five-year direct contracting relationship with Quad Graphics, which has greatly improved service and stabilized upward cost trends for employees at that company. In fact, for the third year in a row, Quad's healthcare costs have been 18% below comparable businesses nationwide. Covenant has been discussing similar arrangements with government and private employers.

While we believe that cost increases are unavoidable given the aging population and advances in technology, we do believe that working together we can better control the rate of escalation. I would be happy to arrange a meeting with you to discuss some of our ideas in more depth.

Thanks again for your time. I'd be happy to take any questions you may have.